

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Baraga Housing Commission	County Baraga
Fiscal Year End 6/30/2006	Opinion Date 1/11/2007	Date Audit Report Submitted to State 2/24/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

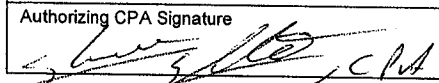
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	n/a	
Other (Describe)	<input checked="" type="checkbox"/>	n/a	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address Po Box 828		City Iron Mountain	State MI
		Zip 49801	
Authorizing CPA Signature 		Printed Name Shane M. Ellison, CPA	License Number 263063

BARAGA HOUSING COMMISSION

REPORT ON FINANCIAL STATEMENTS

(with supplemental information)

For the Year Ended June 30, 2006

BARAGA HOUSING COMMISSION

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Baraga Housing Commission
Baraga, Michigan

We have audited the accompanying financial statements of the business-type activities of the Baraga Housing Commission as of and for the year ended June 30, 2006, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Baraga Housing Commission as of June 30, 2006, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2007 on our consideration of the Baraga Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Baraga Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

January 11, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Baraga Housing Commission's financial performance provides an overview of the financial activities for the year ended June 30, 2006. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$932,666 at June 30, 2006 compared to \$992,712 at June 30, 2005.
- The Commission's operating revenues totaled \$300,693 for the year-ended June 30, 2006 and \$286,365 for the year-ended June 30, 2005, while operating expenses totaled \$424,213 for the year-ended June 30, 2006 and \$399,386 for the year-ended June 30, 2005.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets at June 30, 2006 decreased \$(60,046) from June 30, 2005.

Table 1

NET ASSETS

	June 30,	
	2006	2005
Assets		
Current assets	\$ 226,132	\$ 205,360
Capital assets (net)	<u>783,957</u>	<u>834,427</u>
Total assets	<u>1,010,089</u>	<u>1,039,787</u>
Liabilities		
Current liabilities	53,630	24,565
Non-current liabilities	<u>23,793</u>	<u>22,510</u>
Total liabilities	<u>77,423</u>	<u>47,075</u>
Net Assets		
Invested in capital assets, net of related debt	783,957	834,427
Unrestricted	<u>148,709</u>	<u>158,285</u>
Net Assets	<u>\$ 932,666</u>	<u>\$ 992,712</u>

Net assets of the Commission stood at \$932,666 at June 30, 2006 compared to \$992,712 at June 30, 2005. Unrestricted net business assets were \$148,709 compared to \$158,285 at June 30, 2005. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The increase in current assets was due to \$25,696 in accounts receivable from HUD at June 30, 2006. The increase in current liabilities was due to an increase in accounts payable.

Table 2**CHANGE IN NET ASSETS**

	Year Ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 128,938	\$ 114,403
Program grants and subsidies	227,417	170,352
General revenues:		
Other revenues	3,719	1,610
Unrestricted investment earnings	<u>4,093</u>	<u>3,464</u>
Total revenues	364,167	289,829
Program Expenses:		
Operating expenses	<u>424,213</u>	<u>399,386</u>
Change in net assets	(60,046)	(109,557)
Net assets - beginning of period	<u>992,712</u>	<u>1,102,269</u>
Net assets - end of period	<u>\$ 932,666</u>	<u>\$ 992,712</u>

BUSINESS – TYPE ACTIVITIES

Revenues for the Commission totaled \$364,167 for the year-ended June 30, 2006 compared to \$289,829 at June 30, 2005. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The increase in operating expenses is largely due to a \$3,591 increase in utilities, a \$6,001 increase in maintenance expenses and a \$6,133 increase in general expenses.

CAPTIAL ASSETS

Capital Assets

The Commission had \$2,910,058 invested in a variety of capital assets including land, equipment and buildings at June 30, 2006 compared to \$2,850,677 at June 30, 2005.

Table 3

CAPITAL ASSETS AT JUNE 30, 2006 Business - Type Activity

	June 30,	
	2006	2005
Land and improvements	\$ 360,963	\$ 360,963
Building and improvements	2,362,385	2,362,385
Equipment	127,329	127,329
Construction in progress	<u>59,381</u>	<u>-</u>
Total	2,910,058	2,850,677
Less accumulated depreciation	<u>(2,126,101)</u>	<u>(2,016,250)</u>
NET CAPITAL ASSETS	<u>\$ 783,957</u>	<u>\$ 834,427</u>

The Commission invested \$59,381 in capital assets during the year ended June 30, 2006.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2006/2007. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2006/2007 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Mike Wadaga, at 416 Michigan Avenue, Baraga, Michigan 49908, or call 906-353-6432.

BARAGA HOUSING COMMISSION

STATEMENT OF NET ASSETS Proprietary Fund

June 30, 2006

CURRENT ASSETS:

Cash and equivalents	\$ 135,527
Accounts receivable	26,964
Investments	58,878
Prepaid expenses	<u>4,763</u>

TOTAL CURRENT ASSETS

226,132

NONCURRENT ASSETS:

Capital assets	2,910,058
Less accumulated depreciation	<u>(2,126,101)</u>

NET CAPITAL ASSETS

783,957

TOTAL ASSETS

1,010,089

CURRENT LIABILITIES:

Accounts payable	34,573
Accrued liabilities	<u>19,057</u>

TOTAL CURRENT LIABILITIES

53,630

NONCURRENT LIABILITIES

23,793

TOTAL LIABILITIES

77,423

NET ASSETS:

Investment in capital assets, net of related debt	783,957
Unrestricted net assets	<u>148,709</u>

NET ASSETS

\$ 932,666

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The accompanying notes to financial statements are an integral part of this statement.

BARAGA HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Public Housing	\$ 424,213	\$ 128,938	\$ 168,036	\$ 59,381
				\$ (67,858)
BUSINESS-TYPE ACTIVITIES:				
General revenues:				
Unrestricted investment earnings				4,093
Other				3,719
Total general revenues				7,812
Change in net assets				(60,046)
NET ASSETS, beginning of year				992,712
NET ASSETS, end of year				\$ 932,666

The accompanying notes to the financial statements are an integral part of this statement.

BARAGA HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE
IN NET ASSETS
Proprietary Fund**

For the Year Ended June 30, 2006

OPERATING REVENUES:

Tenant revenue	\$ 128,938
Program grants-subsidies	168,036
Other income	<u>3,719</u>

TOTAL OPERATING REVENUES	<u>300,693</u>
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OPERATING EXPENSES:

Administration	91,938
Tenant services	866
Utilities	56,344
Maintenance	87,785
General	17,477
Housing assistance payments	59,952
Depreciation	<u>109,851</u>

TOTAL OPERATING EXPENSES	<u>424,213</u>
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OPERATING (LOSS)	<u>(123,520)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Capital grants	59,381
Interest income	<u>4,093</u>

TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>63,474</u>
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CHANGE IN NET ASSETS	(60,046)
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NET ASSETS, BEGINNING OF YEAR	<u>992,712</u>
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NET ASSETS, END OF YEAR	<u>\$ 932,666</u>
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& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.

BARAGA HOUSING COMMISSION

STATEMENT OF CASH FLOWS **Proprietary Fund**

For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 129,544
Cash received from grants and subsidies	142,340
Cash payments to suppliers for goods and services	(168,398)
Cash payments for wages and related benefits	(115,546)
Other receipts	<u>3,719</u>

NET CASH (USED) BY OPERATING ACTIVITIES

(8,341)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	59,381
Acquisition of capital assets	<u>(59,381)</u>

NET CASH PROVIDED FROM CAPITAL AND RELATED FINANCING ACTIVITIES

-

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(1,530)
Investment income	<u>4,009</u>

NET CASH PROVIDED FROM INVESTING ACTIVITIES

2,479

NET (DECREASE) IN CASH AND EQUIVALENTS

(5,862)

CASH AND EQUIVALENTS, BEGINNING OF YEAR

141,389

CASH AND EQUIVALENTS, END OF YEAR

\$ 135,527

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (123,520)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	109,851
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(25,090)
Decrease (Increase) in prepaid expenses	70
Increase (Decrease) in accounts payable	27,250
Increase (Decrease) in accrued liabilities	<u>3,098</u>

NET CASH (USED) BY OPERATING ACTIVITIES

\$ (8,341)

The accompanying notes to financial statements are an integral part of this statement.





BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Baraga Housing Commission (Commission) was formed by the Baraga Village Commission under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the Village of Baraga.

The Commission manages 50 units of low rent public housing units and 21 section 8 vouchers of which, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Baraga Housing Commission, but the Commission is a component unit of the Village of Baraga, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$200 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.

- f. Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.

BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on July 1st. The operating budget includes proposed expenses and the means of financing them. Prior to June 30th, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.



BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(Continued)

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 150
Checking accounts	34,487
Savings accounts	<u>100,890</u>
 TOTAL	 <u>\$ 135,527</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of June 30, 2006, the Commission's cash and equivalents were not exposed to credit risk due to them being fully insured.

Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	<u>\$58,878</u>	<u>\$32,351</u>	<u>\$26,527</u>

Investments are recorded at fair market value.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's investments may not be returned. As of June 30, 2006, the Commission's investments were not exposed to credit risk due to them being fully insured.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

Credit Risk. Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

Concentration of Credit Risk. The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's investments and balances are with the following financial institutions:

Superior National Bank and Trust, Hancock, MI \$58,878

NOTE C - CAPITAL ASSETS

A summary of capital assets for the year-ended June 30, 2006 is as follows:

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
Land and improvements	\$ 360,963	\$ -	\$ -	\$ 360,963
Building and improvements	2,362,385	-	-	2,362,385
Equipment	127,329	-	-	127,329
Construction in progress	-	59,381	-	59,381
	2,850,677	<u>\$ 59,381</u>	<u>\$ -</u>	2,910,058
Accumulated depreciation	<u>(2,016,250)</u>	<u>\$ (109,851)</u>	<u>\$ -</u>	<u>(2,126,101)</u>
Net capital assets	<u>\$ 834,427</u>			<u>\$ 783,957</u>

Depreciation expense for the year was \$109,851.

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.



BARAGA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(Continued)

NOTE E - USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended June 30, 2006 totaled \$364,167 of which \$227,417 or 62.4% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G - PENSION PLAN

The Commission has established a SEP-IRA plan of which the Commission contributes 8.5% of qualified wages. To be eligible, an employee must have twelve continuous months of service. The Commission contributions to the Plan during the year amounted to \$5,592.



**SUPPLEMENTAL
INFORMATION**

BARAGA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

June 30, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
ASSETS:					
CURRENT ASSETS:					
Cash:					
111	Cash - unrestricted	\$ 106,171	\$ 29,356	\$ -	\$ 135,527
100	Total cash	106,171	29,356	-	135,527
Accounts and notes receivables:					
122	Accounts receivable - HUD other projects	-	-	25,696	25,696
126	Accounts receivable- Tenants - Dwelling rents	3,947	-	-	3,947
126.1	Allowance for doubtful account - Dwelling rents	(2,996)	-	-	(2,996)
129	Accrued interest receivable	317	-	-	317
120	Total receivables, net of allowances for doubtful accounts	1,268	-	25,696	26,964
Current investments					
131	Investments	58,878	-	-	58,878
142	Prepaid expenses	4,549	214	-	4,763
144	Interprogram due from	26,313	-	-	26,313
150	TOTAL CURRENT ASSETS	197,179	29,570	25,696	252,445

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

June 30, 2006

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
NONCURRENT ASSETS:					
Fixed assets:					
161	Land	4,858	-	-	4,858
162	Buildings	2,362,385	-	-	2,362,385
163	Furniture, equipment & machinery - dwellings	31,752	-	-	31,752
164	Furniture, equipment & machinery - administration	95,577	-	-	95,577
165	Leasehold improvements	356,105	-	-	356,105
166	Accumulated depreciation	(2,126,101)	-	-	(2,126,101)
167	Construction in progress	-	-	59,381	59,381
160	Total fixed assets, net of accumulated depreciation	724,576	-	59,381	783,957
180	TOTAL NONCURRENT ASSETS	724,576	-	59,381	783,957
190	TOTAL ASSETS	\$ 921,755	\$ 29,570	\$ 85,077	\$ 1,036,402

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

June 30, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
LIABILITIES AND NET ASSETS:					
LIABILITIES:					
CURRENT LIABILITIES:					
312	Accounts payable ≤ 90 days	\$ 34,498	\$ 75	-	\$ 34,573
321	Accrued wages / payroll taxes payable	2,037	-	-	2,037
322	Accrued compensated absences - current portion	6,101	124	-	6,225
341	Tenant security deposits	10,156	-	-	10,156
342	Deferred revenues	639	-	-	639
347	Interprogram due to	-	617	25,696	26,313
310	TOTAL CURRENT LIABILITIES	53,431	816	25,696	79,943
354	Accrued compensated absences - non current	23,115	678	-	23,793
350	TOTAL NONCURRENT LIABILITIES	23,115	678	-	23,793
300	TOTAL LIABILITIES	76,546	1,494	25,696	103,736

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

June 30, 2006

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
NET ASSETS:					
Contributed Capital:					
508.1	Investment in capital assets, net of related debt	724,576	-	59,381	783,957
512.1	Unrestricted net assets	120,633	28,076	-	148,709
513	TOTAL NET ASSETS	845,209	28,076	59,381	932,666
600	TOTAL LIABILITIES AND NET ASSETS	\$ 921,755	\$ 29,570	\$ 85,077	\$ 1,036,402

See accompanying notes to financial statements

BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

For the Year Ended June 30, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
REVENUE:					
703	Net tenant rental revenue	\$ 116,786	\$ -	\$ -	\$ 116,786
704	Tenant revenue - other	12,152	-	-	12,152
705	Total tenant revenue	128,938	-	-	128,938
706	HUD PHA grants	76,011	84,025	8,000	168,036
706.1	Capital grants	-	-	59,381	59,381
711	Investment income - unrestricted	3,678	415	-	4,093
715	Other revenue	3,719	-	-	3,719
700	TOTAL REVENUE	212,346	84,440	67,381	364,167
EXPENSES:					
Administrative					
911	Administrative salaries	43,861	5,155	-	49,016
912	Auditing fees	2,700	200	-	2,900
914	Compensated absences	2,861	44	-	2,905
915	Employee benefit contributions- administrative	12,648	876	-	13,524
916	Other operating- administrative	21,383	2,210	-	23,593
	Total Administrative	83,453	8,485	-	91,938

See accompanying notes to financial statements

BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

For the Year Ended June 30, 2006

<u>Line Item #</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>TOTAL</u>
Tenant services					
924	Tenant services - other	866	-	-	866
Utilities					
931	Water	25,200	-	-	25,200
932	Electricity	9,417	-	-	9,417
933	Gas	21,727	-	-	21,727
	Total Utilities	56,344	-	-	56,344
Maintenance					
941	Ordinary maintenance and operations - labor	30,566	-	-	30,566
942	Ordinary maintenance and operations - materials & other	10,128	-	-	10,128
943	Ordinary maintenance and operations - contract costs	18,696	-	-	18,696
945	Employee benefit contributions- ordinary maintenance	22,465	-	-	22,465
	Total Maintenance	81,855	-	-	81,855
General expenses					
961	Insurance premiums	11,024	-	-	11,024

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE Proprietary Fund

For the Year Ended June 30, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
962	Other general expenses	3,000	26	-	3,026
964	Bad debt - tenant rents	2,427	-	-	2,427
	Total General Expenses	16,451	26	-	16,477
969	TOTAL OPERATING EXPENSES	238,969	8,511	-	247,480
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(26,623)	75,929	67,381	116,687
971	Extraordinary maintenance	5,930	-	-	5,930
972	Casualty losses - non-capitalized	1,000	-	-	1,000
973	Housing assistance payments	-	59,952	-	59,952
974	Depreciation expense	109,851	-	-	109,851
900	TOTAL EXPENSES	355,750	68,463	-	424,213
	Other financing sources (uses)				
1001	Operating transfers in	8,000	-	-	8,000
1002	Operating transfers out	-	-	(8,000)	(8,000)
1010	Total other financing sources (uses)	8,000	-	(8,000)	-

See accompanying notes to financial statements



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

BARAGA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

For the Year Ended June 30, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (135,404)	\$ 15,977	\$ 59,381	\$ (60,046)
MEMO account information					
1103	Beginning equity	\$ 980,613	\$ 4,635	\$ -	\$ 985,248
1104	Prior Period Adjustments, Equity Transfers	\$ -	\$ 7,464	\$ -	\$ 7,464
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ -	\$ 84,025	\$ -	\$ 84,025
1116	Total Annual Contributions Available	\$ -	\$ 84,025	\$ -	\$ 84,025
1120	Unit months available	600	254	-	854
1121	Number of unit months leased	559	254	-	813

See accompanying notes to financial statements

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Baraga Housing Commission
Baraga, Michigan

We have audited the financial statements of the business-type activities of the Baraga Housing Commission as of and for the year ended June 30, 2006, which collectively comprise the Baraga Housing Commission's basic financial statements, and have issued our report thereon dated January 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Baraga Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Baraga Housing Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anderson Tackman & Co. P.C.

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

January 11, 2007

